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Internal audit and oversight

UNDP: Report on internal audit and investigations

Summary

The present report provides information on the activities of the Office of Audit and Investigations (OAI) for the year ended 31 December 2013. As requested by the Executive Board in its decision 2013/24, this report includes the titles of all internal audit reports issued during the year and ratings received, and details on OAI resources for audit and investigations. Also, as requested in decision 2012/18, this report contains information on significant issues related to the public disclosure of internal audit reports and experience gained from public disclosure to date. In accordance with decision 2011/22, this report also contains information on lessons learned on joint audits and on cases of fraud and action taken in cases of misconduct. The management response to this report is presented separately (per decision 2006/13) and the annual report of the Audit Advisory Committee is appended to this report (per DP/2008/16/Rev.1).

Elements of a decision

The Executive Board may wish to: (a) take note of the present report; (b) express its continuing support for strengthening the internal audit and investigation functions of UNDP; and (c) take note of the annual report of the Audit Advisory Committee.

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2. OAI audit reports issued in 2013
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Appendix (*available on the Executive Board website*)

Annual report of the Audit Advisory Committee for the calendar year 2013

Introduction

1. The UNDP Office of Audit and Investigations (OAI) submits to the Executive Board its annual report on internal audit and investigation activities for the year ended 31 December 2013.

2. As requested by the Board in its decision 2013/24, this report includes the titles of all internal audit reports issued during the year and ratings received, and details on OAI resources for audit and investigations. Also, as requested in decision 2012/18, this report contains information on significant issues related to the public disclosure of internal audit reports and experience gained from public disclosure to date. In accordance with decision 2011/22, this report also contains information on lessons learned and experience gained on joint audits, and on cases of fraud and action taken in cases of misconduct. The management response to this report is presented separately (per decision 2006/13) and the annual report of the Audit Advisory Committee is appended to this report (per DP/2008/16/Rev.1).

I. Assurance in UNDP

Mandate of the Office of Audit and Investigations

3. The charter of OAI was updated in December 2013 to align with both the UNDP Strategic Plan and the International Standards for the Professional Practice of Internal Auditing (see Annex 1). The Charter now reflects the OAI role in auditing risk exposures relating to governance, risk management and controls to ensure achievement of the organization's strategic objectives.

4. In accordance with the internal auditing standards, OAI hereby confirms its organizational independence. In 2013, OAI was free from interference in determining its audit scope, performing its work and communicating its results.

5. OAI continued to implement its quality assurance and improvement programme for both the audit and the investigations functions. As part of its ongoing quality assessments, client surveys were sent after each audit to gauge the performance of OAI against client expectations and to identify areas needing improvement. The client survey in 2013 showed that clients were satisfied with the conduct of OAI audits. The last external quality assessment of OAI showed that it was in general conformance with the internal auditing standards and the generally accepted principles and standards for investigations in international organizations. The next external quality assessments are due for in 2014 for investigations and 2017 for audit.

6. Throughout 2013, OAI received strong support from UNDP senior management. The OAI Director's continued participation as an observer in meetings of the Organizational Performance Group enabled him to give advice on control and accountability aspects of new policies and to comment on any emerging potential risk to UNDP. He also institutionalized meetings with the Bureau of Management to discuss key and recurring audit issues. He also participated in regional meetings and in meetings with donors to strengthen cooperation with counterparts in other organizations.

Independent external oversight

7. The Audit Advisory Committee, which is comprised of five independent experts, continued to provide advice to the Administrator to promote the effectiveness of the internal audit and investigations functions of UNDP. In 2013, the Committee reviewed the draft 2012 annual report to the Executive Board; periodically reviewed the progress on the implementation of the 2013 work plan; and reviewed the proposed revisions to the OAI charter, the draft strategy for 2014-2017 and the 2014 work plan and endorsed them for approval by the Administrator.

8. The external auditors of UNDP (the United Nations Board of Auditors) continued to rely on OAI audits as well as OAI quality assurance review processes for third-party audits of projects implemented by non-governmental organizations and national Governments (NGO/national implementation (NIM) projects).

Coordination within the United Nations system

9. OAI continued to interact with Member States and counterparts to identify and share best practices, discuss matters of common interest, and promote cooperation with audit and investigation services in the United Nations system and other international organizations.

10. Based on the existing audit frameworks agreed with members of United Nations Representatives of Internal Audit Services (UN-RIAS), OAI participated in a number of inter-agency audits in 2013 (see chapter IV, section B below). As the auditor of the Administrative Agent of multi-donor trust funds and the resident coordinator system, OAI is responsible for coordinating the participating internal audit services and/or leading the joint teams, issuing all audit-related correspondence and serving as a repository of audit recommendations along with the follow-up on progress.

Basis for providing independent assurance to the Administrator

11. For purposes of providing assurance on governance, risk management and control systems, the 2013 OAI work plan approved by the Administrator covered an appropriate mix of business units, functions and activities at the headquarters, regional and country levels, including grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), and directly implemented (DIM) projects.

Risk-based planning

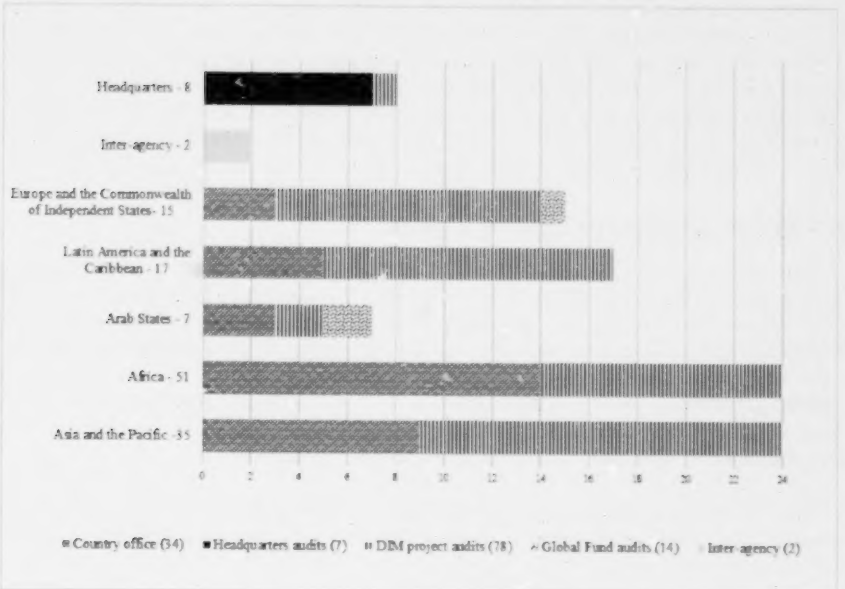
12. The 2013 audit plan was formulated after conducting a risk assessment of the OAI auditable areas, in consultation with senior management, relevant bureaux and other stakeholders. The Board of Auditors was also consulted to ensure proper audit coverage of UNDP and to minimize duplication of efforts in providing assurance to the Administrator and the Board.

Audit reports issued in 2013

13. In 2013, OAI issued 135 audit reports: 8 headquarters audits; 34 country office audits; 14 Global Fund grant audits; 77 DIM project audits at country level; and 2 inter-agency audits (see figure 1). The eight headquarters audits pertained to three headquarters business units, one regional centre, one corporate function, one DIM project managed by a headquarters business unit and two Global Fund matters of corporate significance. The 34 country office audits consisted of 27 general scope audits, three follow-up audits and four functional audits. The two inter-agency audits comprised a consolidation of audits of Peacebuilding Fund projects and an audit of the Cape Verde joint office conducted jointly with UNFPA, the United Nations Children's Fund (UNICEF) and the United Nations Office on Drugs and Crime (UNODC). Per decision 2013/24, Annex 2 presents the titles of all internal audit reports issued in 2013 and their ratings.

14. Because most of the audit reports issued in 2013 covered activities of UNDP offices during 2012, the audit results generally reflect the status of programmes and operations in 2012. The 118 audits at the country level covered about $2.4 billion (52 per cent) of some $4.6 billion of UNDP 2012 field-level expenditures. An additional $1.9 billion in expenditures were covered by third party audits of NGO/NIM projects.

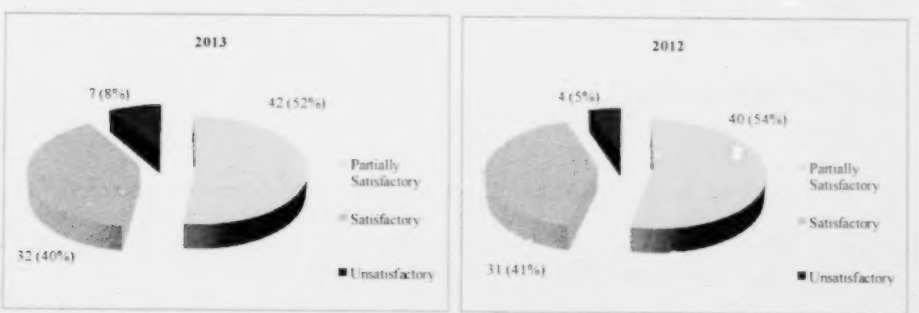
Figure 1. Number and type of audit reports issued in 2013



Audit ratings

15. Based on the results of an audit, OAI assigns an overall audit rating for the majority of its reports in terms of its assessment of the governance, risk-management and control processes. Of 135 reports, 54 did not contain an overall rating (48 DIM financial audits, three follow-up audits, two Global Fund consolidated reports and one consolidated inter-agency audit report). Of the remaining 81 reports, 32 reports (40 per cent) gave a "satisfactory" rating; 42 reports (52 per cent) a "partially satisfactory" rating; and 7 reports (8 per cent) an "unsatisfactory" rating (see figure 2). The distribution of audit ratings in 2013 is comparable to 2012. The reports with an "unsatisfactory" rating pertained to one headquarters audit, one country office audit, two functional audits, one Global Fund audit and two DIM project audits.

Figure 2. Comparison of audit ratings (2013 versus 2012)



16. The financial audits for DIM projects normally include an opinion on project expenditure, statement of fixed assets and statement of cash. In 2013, there were 71 financial audits and seven audits on internal controls. The 71 audits of project expenditure resulted in 53 unqualified, 17 qualified and 1 adverse opinion. The net financial impact for the projects with qualified and adverse opinions was $11.5 million (2 per cent of the total audited expenditure). The 64 audits for statement of fixed assets resulted in 50 unqualified, 9 qualified, 1 adverse and 4 disclaimers of opinion. The net financial impact of the modified audit opinions was $1.5 million (i.e., qualified opinion, adverse opinion and disclaimer of opinion).

II. Disclosure of internal audit reports

17. Pursuant to Executive Board decision 2012/18, UNDP made public all internal audit reports issued from 1 December 2012. Taking into account the safeguards agreed with the Board, OAI further enhanced its due diligence and quality assurance processes for draft reports to maintain the integrity and quality of information disclosed, at the same time being mindful of the confidentiality of any information deemed particularly sensitive or that might reflect negatively on a third party. In addition, final reports were shared with specific Member States when they contained findings related to them. The concerned Member State was then given three weeks to review the report and provide comments, if needed, prior to the reports being publicized.

18. From 1 December 2012 to 31 December 2013, UNDP publicly disclosed 120 internal audit reports, two of which were partially redacted because they contained sensitive information on safety and security.

19. From 29 January 2013, when UNDP started monitoring traffic to the OAI webpage with the audit reports (http://audit-public-disclosure.undp.org/) to 31 December 2013, there were 2,528 visits to the webpage, of which 1,643 were "unique" visitors, meaning that repeat visits were not counted. The duration of the average visit was 3.35 minutes.

20. Only one UNDP report, the audit of UNDP in Democratic People's Republic of Korea, attracted the attention of the media. The media questioned the satisfactory audit rating despite OAI concerns about old problems and weak controls noted in the office. They also commented on the delayed finalization of the audit report

21. Apart from the publicly disclosed reports, OAI received in 2013 a request from the Government of Sweden to access 12 reports issued before 1 December 2012. There was no request received from any organization not covered by the Board decision.

22. The public disclosure of the internal audit reports has not only contributed to more transparency in UNDP, but has also shown all stakeholders that UNDP activities are subject to rigorous and independent scrutiny.

III. Staffing and budget

On staffing

23. As of 31 December 2013, OAI had 79 approved posts (see figure 3) compared to 72 posts approved in 2012. The seven new posts were established in 2013, with due consideration to Executive Board decision 2013/24. The seven posts, all for investigators, will enable OAI to enhance the quality and expand the quantity of its investigation activities, as follows:

(a) the average case load per investigator will be decreased, which will then contribute to decreasing the length of time needed to resolve most cases;

(b) two new posts will be assigned specifically to investigations relating to offices in the Asia and the Pacific region, which has had the largest number of allegations;

(c) a new research analyst will be able to implement an intelligence-led approach to the case assessment process for a better understanding of reported issues, to help to identify risks, trends and patterns, and to provide the mechanism to formulate appropriate preventative and investigative strategies;

(d) proactive investigations will be conducted to identify and control an existing, but not yet identified, occurrence of fraud or financial irregularity.

24. There were changes in the management team of OAI, particularly the Director and the heads of its regional audit centres serving Europe, the Commonwealth of Independent States and the Middle East, as well as Latin America and the Caribbean. The changes were a result of normal attrition. As of 31 December 2013, 11 posts were vacant (seven investigators, two auditors, one audit chief, one quality assessor) of which seven were new positions established in August 2013 and three were positions that became vacant in the last quarter of the year. In 2013, the average time required to fill a vacant position in OAI was five months.

On budget

25. In 2013, OAI had an overall budget of $19.3 million (see figure 3), $1.8 million more than the 2012 budget of $17.5 million. Funds amounting to $11.9 million (62 per cent) were from regular resources and the balance (38 per cent) from other resources. Included in the 2013 budget were $1.6 million for the audit and investigations of activities relating to Global Fund projects managed by UNDP, $1.5 million dedicated to the audit of other DIM projects, $500,000 for the dedicated audit of activities carried out by the country office in Afghanistan and $600,000 for two newly established investigations posts dedicated to covering activities in the Asia and the Pacific region.

26. With reference to the UNDP integrated budget for 2014-2017 (DP/2013/41), OAI is expected in 2014 to reduce by 4 per cent the share of its budget funded from regular resources. At the time of writing this report, discussions were in progress with UNDP management to identify ways to manage this reduction without the need to revise the approved OAI work plan for 2014.

Figure 3. OAI resources level in 2013

Function	Approved posts	Budget (*In millions of United States dollars*)
Audit	46[a]	9.8
Investigations	19	4.1
Afghanistan audit	2	0.5
Global Fund audit and investigations	4	1.6
Audit of DIM projects	1	1.5
OAI management and support	7	1.7
Audit Advisory Committee	0	0.1
Total	**79**	**19.3**

[a] Does not include two fully funded Junior Professional Officers and four posts funded by the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) dedicated to internal audit in UN-Women.

IV. Significant internal audit results

A. Headquarters audits

27. In 2013, OAI issued six audit reports on headquarters business units and other corporate matters: (a) United Nations Development Operations Coordination Office; (b) Regional Centre in Cairo; (c) Office of Human Resources; (d) Global Environment Facility; (e) Global Management Functions of the Africa Adaptation Programme; and (f) Gender-Responsive Climate Change Policies, Strategies and Programmes Project of the Bureau for Development Policy (a DIM project).

28. Except for the audit of the headquarters-managed DIM project, the five headquarters audits resulted in 35 recommendations, of which 13 (37 per cent) were ranked high priority. Eight of the 13 recommendations emanated from the audit of the Office of Human Resources.

B. Inter-agency audits

29. In 2013 OAI issued two inter-agency reports as a result of joint or coordinated audit work among the internal audit services of several United Nations organizations. The audit of the joint office in Cape Verde, conducted jointly with UNFPA, UNICEF and the Office of Internal Oversight Services (OIOS) as a provider of audit services to UNODC, highlighted the unclear arrangements for the harmonization of the corporate processes of participating organizations within the joint office that resulted in inefficiencies and duplication of work. The consolidated report on the results of audits of the International Organization for Migration, UNDP and UNCPS projects funded from the Peacebuilding Fund concluded that the Administrative Agent function was satisfactory overall and most of the projects audited were assessed as partially satisfactory. The UNDP Multi-Partner Trust Fund Office serves as the Administrative Agent and the projects audited were implemented by different United Nations agencies.

30. The reports for three audits conducted in 2013 will be issued in 2014: (a) Delivering as One in Pakistan, conducted jointly with the Food and Agricultural Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization, UNFPA, UNICEF and the United Nations Industrial Development Organization; (b) Somalia Common Humanitarian Fund, with the United Nations Office for the Coordination of Humanitarian Affairs/OIOS, UNFPA and UNICEF; and (c) the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries in the Democratic Republic of the Congo, with FAO and the United Nations Environment Programme.

31. The OAI experience of inter-agency audits since 2009 has shown that more time is needed to conduct and complete such assignments, mainly due to the consultation and various inputs required from the internal audit services of the participating organizations. To mitigate the risk of untimely issuance of reports, UNDP and UNFPA are leading the exercise on the consolidation of all existing audit frameworks and enhancement of related processes and guidance. Another critical challenge in having a joint report is that participating organizations in joint programmes have different policies on disclosure of internal audit reports, from full disclosure to no disclosure, and this consequently has an impact on the content of the joint audit report. In 2013, OAI, together with the UN-RIAS, expressed on several occasions its full support for the principles of transparency, accountability and openness, and underscored the need for harmonized audit report disclosure policies as a prerequisite for more inter-agency audit work.

C. Country office audits

32. The 34 country office audit reports issued in 2013 comprised 27 audits with a general scope; four functional audits focusing on finance management, programme management, procurement management and donor relations of one office; and three audits that followed up the

implementation status of recommendations of prior audits. Together, these audits resulted in 239 recommendations (see figure 4), many in the areas of:

(a) finance, such as incorrect use of accounts in Atlas (eight offices);

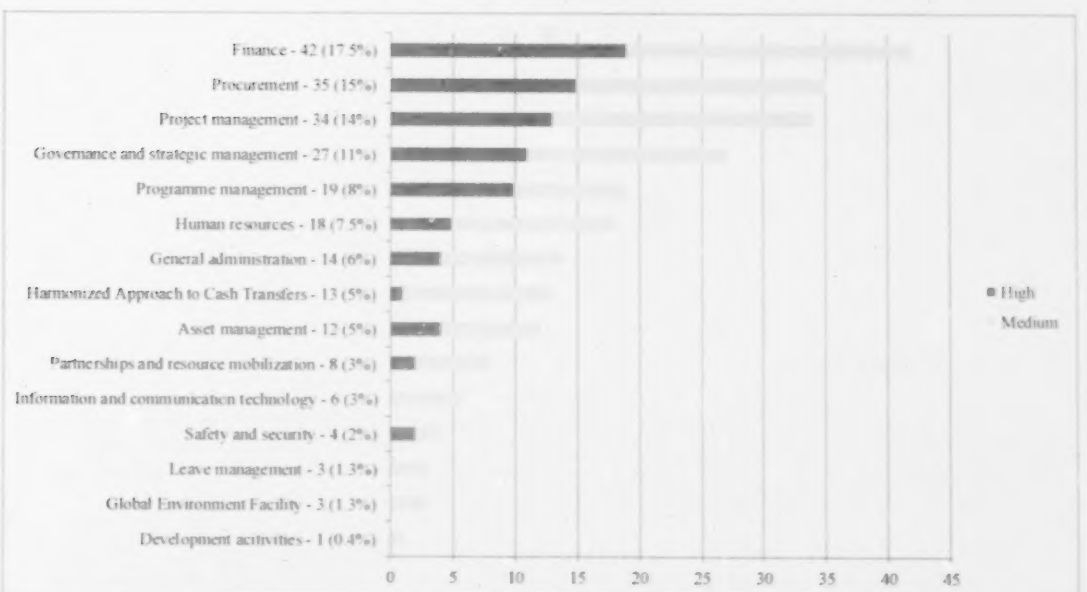
(b) project management, such as project appraisal committees/project boards not following prescribed procedures (10 offices), insufficient project monitoring (nine offices), projects not utilizing standard documents (eight offices) and inadequate project closure process (seven offices);

(c) procurement, such as incorrect use of purchase orders (seven offices); non-submission to procurement committees (six offices) and non-compliance with policies in the use of the individual contract modality (six offices).

33. Of the 239 recommendations, 27 were meant to address deficiencies in governance and strategic management, such as developing policy and/or guidance on engagement of NGOs as part of fast-track policies; improving monitoring and evaluation activities by establishing feedback mechanisms on issues raised during monitoring visits; addressing weak staff capacity required to permit the office to deliver outcomes; strengthening oversight over the delegation of authority to staff members; and establishing strategies to generate additional extrabudgetary income. Eleven of the 27 recommendations were rated high priority.

Figure 4. Distribution and prioritization of all country office audit recommendations in 2013 reports

(Total recommendations: 239)



D. Global Fund audits

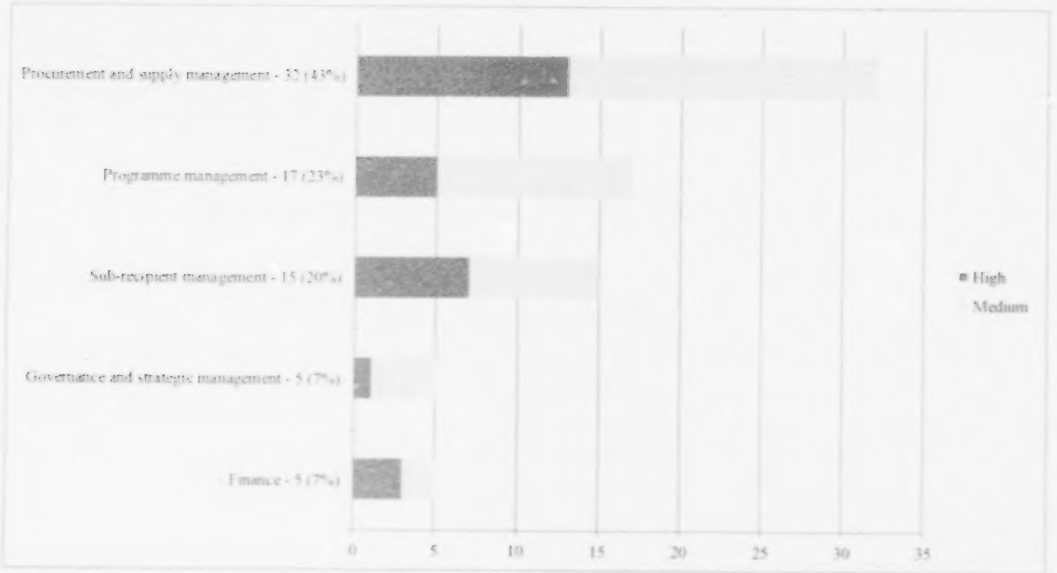
34. In 2013, 16 reports were issued pertaining to Global Fund grants managed by UNDP as principal recipient. Fourteen audit reports covered 53 Global Fund grants in 10 country offices (six in Africa, two in the Arab States, one in Asia and the Pacific and one in Europe and the Commonwealth of Independent States). The OAI also issued two consolidated reports on audits of

UNDP country offices as principal recipient of Global Fund grants and sub-recipients of Global Fund grants.

35. Except for the consolidated reports, the 14 audit reports contained 74 recommendations, the majority in the areas of: (a) procurement and supply management, such as weak controls over physical inventory, storage of health products and quality assurance process; and (b) programme management, such as managing cash advances, which together accounted for 66 per cent of the total recommendations (see figure 5).

Figure 5. Distribution and prioritization of all Global Fund audit recommendations in 2013 reports

(Total recommendations: 74)



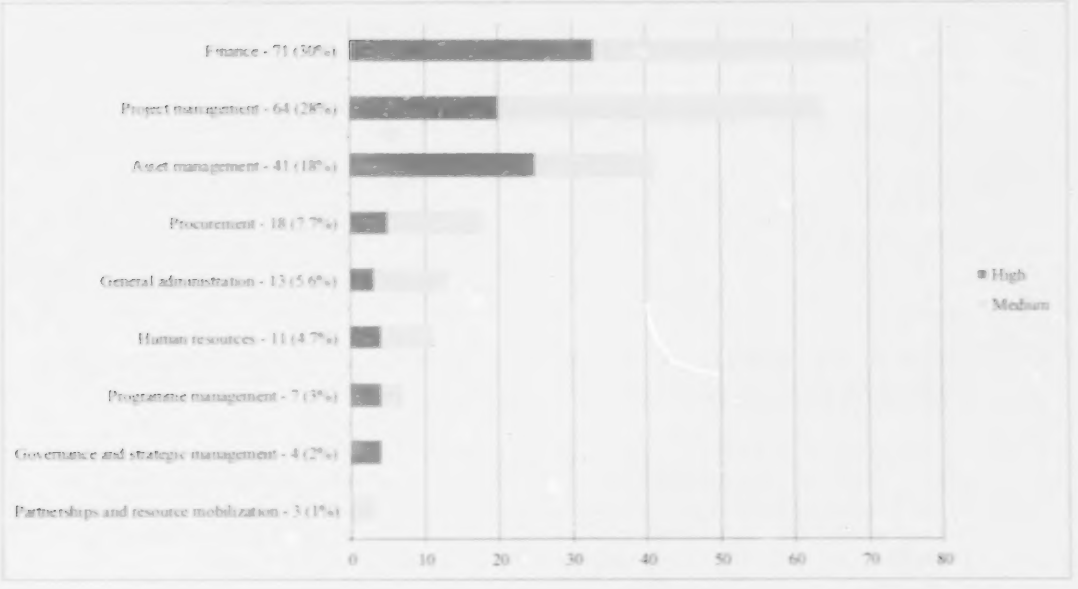
E. Project audits

36. Projects that are directly implemented by UNDP may be reviewed as part of the audit of a country office or other business unit or may be audited separately, especially if the project amount is significant. In 2013, 128 DIM projects were audited separately, resulting in 78 DIM audit reports. The audited expenditure amounted to $620 million.

37. The DIM audits resulted in 232 recommendations (see figure 6), mostly in the areas of finance (such as inaccurate recording of project expenditures in the combined delivery report), project management (such as monitoring of projects and non-compliance with letters of agreements) and asset management (such as weaknesses in recording of assets and physical verification), which together accounted for 75 per cent of the recommendations. As compared to 2012, most of the audit issues pertained to inaccurate recording of project expenditures in the combined delivery report.

Figure 6. Distribution and prioritization of all DIM audit recommendations in 2013 reports

(Total recommendations: 232)



V. Follow-up on audit recommendations

38. The overall implementation rate was 88 per cent at 31 December 2013. This covers all reports issued from 1 January 2011 to 30 November 2013. The cut-off period ends in November, taking into account a one-month grace period given to offices to start implementing the recommendations from the date of the report's issuance. The implementation rate is slightly lower than last year's rate, which was 91 per cent.

39. At the end of 2013, 22 recommendations had been outstanding and not fully implemented for more than 18 months, which is almost the same as the 21 recommendations from 2012 (see Annex 3 for complete listing). The total number, however, remains minimal, given that the 22 recommendations represented 0.7 per cent of the total 3,279 recommendations issued since 2009.

40. Two recommendations were withdrawn as they had been outstanding for over 36 months and management accepted the residual risk of not implementing these recommendations. These pertained to: (a) an outstanding government contribution towards local office costs in one country office; and (b) creation of an integrated occupational health and safety policy.

41. Of the 22 recommendations, 14 (64 per cent) were ranked high priority at the time of the audit. The reasons for the delayed implementation of the 22 recommendations included complexity of issues which required more action (86 per cent) and dependence on host Governments and/or another United Nations organization (14 per cent).

VI. Advisory services

42. The OAI continued to provide advice to all levels of management at headquarters, regional centres and country offices. The advice covered a wide range of subjects, such as long-term agreements to conduct NIM audits, Atlas reports related to the International Public Sector

Accounting Standards, policies for the engagement of NGOs and recruitment and procurement processes. OAI also regularly reviewed audit clauses in contribution agreements with donors.

43. The OAI made presentations at regional workshops, retreats and staff induction programmes to share lessons learned from audits and investigations and to enhance staff appreciation of audit findings and recommendations. OAI also met quarterly with headquarters management to share information on recurrent issues from audit reports.

VII. Internal audit and investigation services for UN-Women

44. Based on a service agreement with the Executive Director of UN-Women dated December 2011, OAI continued to provide internal audit and investigation services to UN-Women in 2013. This agreement was renewed in December 2013 for another two years. OAI has a dedicated UN-Women Audit Unit, with four posts fully funded by UN-Women, two of which were established in 2013. The OAI reports separately to the Executive Board of UN-Women on its audit and investigation of UN-Women activities.

VIII. Review of audits of projects executed by non-governmental organizations and/or national Governments

45. A total of 911 NGO/NIM projects were planned for audit in 2013 based on the audit risk assessment by OAI. These selected projects totalled $1.93 billion, representing 68 per cent of the $2.84 billion of NGO/NIM project expenses in fiscal year 2012. The audits were conducted by national audit institutions or audit firms selected and managed directly by country offices. By 31 December 2013, OAI had received audit reports for 98 per cent of these 911 projects.

OAI review results

46. OAI conducted an in-depth review of 50 per cent of the audit reports received. The sample, representing 86 per cent of the audited expenses (or $1.67 billion), included all reports with modified opinions. OAI reviews the NGO/NIM audit reports in terms of four aspects:

(a) *audit opinion and net financial impact*. OAI measures the net financial impact of audit qualifications as a percentage of the reported project expenditure;

(b) *audit outcome*. OAI reviews the audit findings and measures the corresponding risks for overall project implementation;

(c) *audit scope*. OAI reviews the adequacy of audit coverage vis-à-vis the required audit terms of reference;

(d) *audit administration*. OAI reviews how efficiently and effectively the audit was administered by the country office.

47. OAI issues review letters drawing the attention of country office management to areas requiring improvement. Most of the country offices (73 per cent) received a satisfactory rating from OAI for fiscal year 2012, compared to 81 per cent for fiscal year 2011 (see figure 7).

Figure 7. Results of OAI assessment of the quality of NGO/NIM audit reports

	Overall Rating			
	Fiscal Year 2012		Fiscal Year 2011	
Rating	Number of countries	%	Number of countries	%
Satisfactory	84	73%	96	81%
Partially satisfactory	22	19%	13	11%
Unsatisfactory	9	8%	10	8%
Total country offices	**115**	**100%**	**119**	**100%**

Key NGO/NM audit issues and actions taken thereon

48. Most of the issues in the reviewed reports pertained to financial management (57 per cent, compared to 53 per cent for fiscal year 2011). Over the last two audit cycles, there has been a slight increase in issues in the area of financial management, while the other areas (such as project progress, procurement, human resources) did not show any significant variance.

49. OAI also monitors the actions that country offices took or plan to take to implement the NGO/NM audit recommendations. Of the 1,302 audit issues, 84 per cent had already been adequately addressed as of 31 December 2013.

Modified audit opinions and net financial impact

50. Analyzing the reports with modified opinions (i.e., qualified opinion, adverse opinion and disclaimer of opinion), OAI quantified the net financial impact for fiscal year 2012 to be $112 million (5.79 per cent) of total audited expenses. This represented a significant increase compared to the $11.7 million (0.6 per cent) for fiscal year 2011. The net financial impact this time was mainly due the auditors being denied complete access to project documentation amounting to $105 million in one country office.

Audits pertaining to Harmonized Approach to Cash Transfers

51. In 2013, seven country offices planned audits of implementing partners. OAI received 36 audit reports from six of the seven country offices and noted that the majority of the audit reports indicated that the implementing partners had satisfactory systems and had received unqualified audit opinions.

IX. Investigations

Caseload

52. During 2013, OAI opened 283 new cases, which represented a decrease of 2 per cent over the number of cases opened in 2012 (289 cases). OAI also carried over 164 cases from 2012, bringing the total caseload in 2013 to 447, an increase of 13 per cent over the total caseload in 2012 (396 cases).

53. Of the 447 cases, 268 were finalized by OAI in 2013, an increase of 16 per cent over 2012. At the end of 2013, 179 cases were carried over to 2014 (see figure 8), representing an increase of 9 per cent.

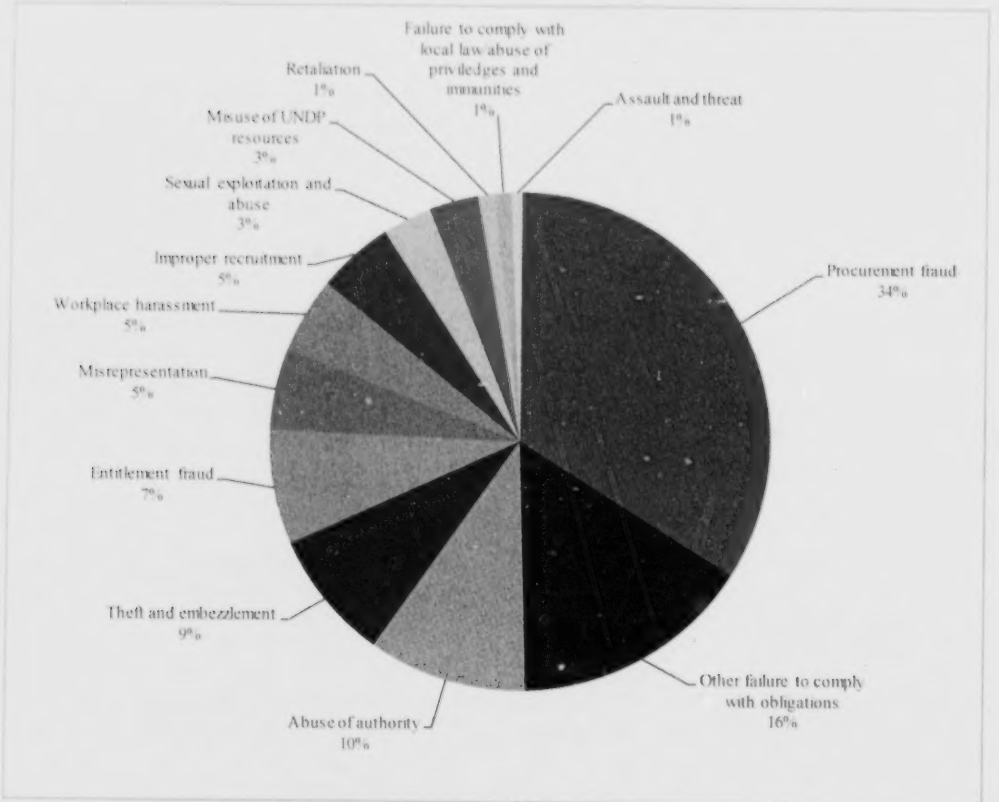
Figure 8. Caseload in 2012 and 2013

Caseload	2012	2013
Carry-over as of 1 January	107	164
Intake during the year	289	283
Total cases during the year	**396**	**447**
Closed (from cases carried over)	74	119
Closed (from intake)	158	149
Total closed	**232**	**268**
Carried forward as of 31 December	164	179

Type of complaints

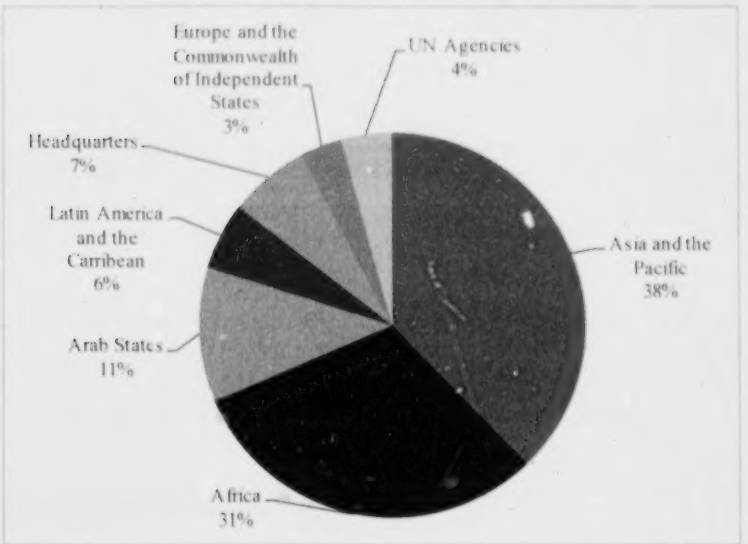
54. Complaints relating to financial irregularities (procurement fraud, theft and embezzlement, misuse of UNDP resources and entitlements fraud) continued to be the largest category of cases, constituting 53 per cent of the total number of cases handled by OAI in 2013, a decrease of 5 per cent compared to 2012 (58 per cent) (see figure 9).

Figure 9. Types of complaints received in 2013


Failure to comply with local law/abuse of priviledges and immunities 1%
Retaliation 1%
Assault and threat 1%
Misuse of UNDP resources 3%
Sexual exploitation and abuse 3%
Improper recruitment 5%
Procurement fraud 34%
Workplace harassment 5%
Misrepresentation 5%
Entitlement fraud 7%
Theft and embezzlement 9%
Other failure to comply with obligations 16%
Abuse of authority 10%

55. Asia and the Pacific continued to be the region from which OAI received the most complaints, constituting 38 per cent of the OAI case load in 2013. This region was followed by Africa, with 31 per cent of the case load and the Arab States with 11 per cent. The rest each account for less than 10 per cent of the case load: UNDP headquarters; Latin America and the Caribbean; other United Nations agencies; and Europe and the Commonwealth of Independent States (see figure 10).

Figure 10. Cases received in 2013, by location


Europe and the Commonwealth of Independent States 3%
UN Agencies 4%
Headquarters 7%
Latin America and the Carribean 6%
Asia and the Pacific 38%
Arab States 11%
Africa 31%

Processing of cases

56. A total of 195 cases (73 per cent of the cases finalized) were closed after an initial assessment. Of these, 172 cases were closed due to insufficient evidence of wrongdoing to justify an investigation, or the allegations did not fall within the OAI mandate or an investigation was not warranted. The remaining 23 cases were referred to other offices within UNDP for appropriate action (see figure 11).

57. After a full investigation, 73 more cases (27 per cent) were finalized. Of those investigated, 49 (67 per cent) resulted in an investigation report establishing evidence of misconduct or other wrongdoing, an increase of 9 per cent over the total number of investigation reports issued in 2012 (45 investigation reports). Twenty-four of the cases investigated (33 per cent) were found to be unsubstantiated (see figure 11).

58. At the end of 2013, 56 cases were still under assessment and 123 cases were under investigation.

Figure 11. Disposition of cases

Actions taken	Number of cases in 2012	Number of cases in 2013
After assessment		
- Closed, investigation not warranted	148	172
- Referred to other offices within UNDP	19	23
Total	**167**	**195**
After investigation		
Closed (not substantiated)	**20**	**24**
Closed *(substantiated)*		
- Submitted to Legal Support Office	25	24
- Submitted to country offices	13	14[1]

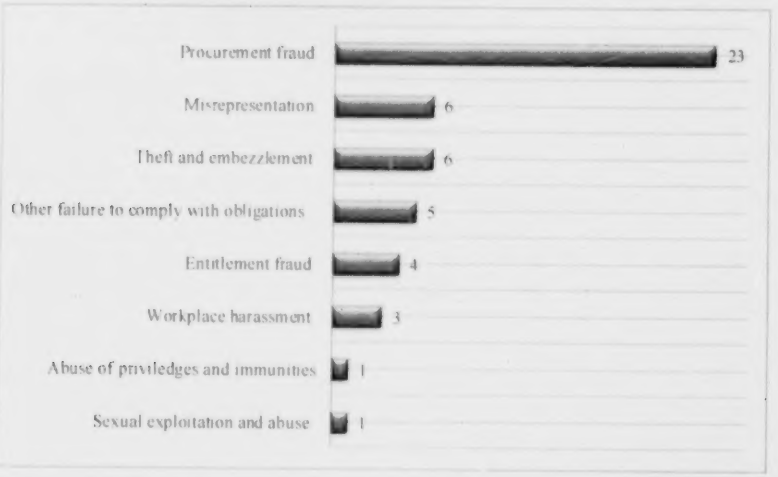
[1] Two of these reports were submitted in 2012 but not officially closed until 2013.

- Submitted to Vendor Review Committee	3	8
- Submitted to other organizations	1	3
- Other investigation reports	3	-
Subtotal *(substantiated)*	**45**	**49**
Total	**65**	**73**
Total cases closed during the year	**232**	**268**
Investigation reports issued	**45**	**49**[2]
Management letters issued	**3**	**6**

Substantiated cases

59. The irregularities identified in the 49 substantiated investigations mostly involved evidence of procurement fraud (23 cases, or 47 per cent); misrepresentation (six cases, or 12 per cent); and theft and embezzlement (six cases, or 12 per cent) (see figure 12).[3]

Figure 12: Number of investigation reports in 2013 by category

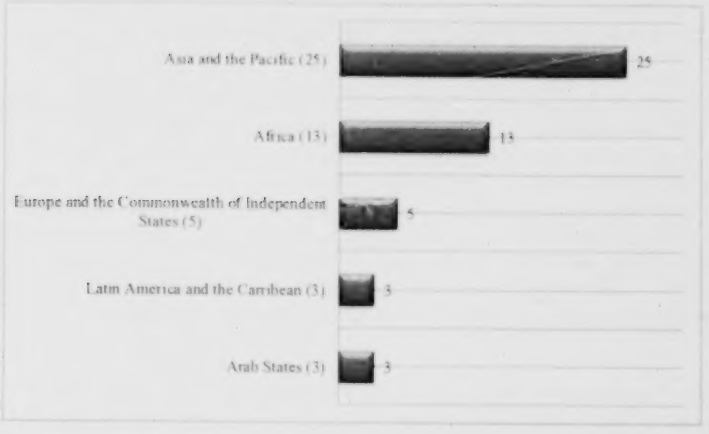


60. The total financial loss that was substantiated in investigations reports during 2013 amounted to $3.3 million. Indications of fraud were also found in approximately $4 million worth of contracts issued by UNDP. However, it was not possible to determine the amount of loss that UNDP incurred as a result of this alleged fraud. See Annex 4 for a short description of the 49 substantiated cases.

61. The geographical distribution of these 49 cases showed that 51 per cent occurred in Asia and the Pacific region and 26 per cent occurred in Africa (see figure 13).

[2] This number does not include revised reports that were reissued.
[3] Some of the reports involved more than one type of misconduct.

Figure 13: Number of investigation reports in 2013 by region



Actions taken as of 31 December 2013 as a result of the investigation reports

62. Based on the 24 reports sent to Legal Support Office concerning staff members, two staff members received disciplinary action in the form of dismissal, one received disciplinary action in the form of separation from service and one was exonerated. Dismissal is the most serious form of disciplinary action and means immediate separation from service, without notice or compensation. Separation from service provides for notice or compensation in lieu of notice, and may provide for a termination indemnity.

63. Three staff members had been charged with misconduct but a decision on whether or not to exonerate them or impose disciplinary action had not been made yet.

64. Concerning three staff members who resigned prior to completion of the investigation or the disciplinary process, a letter was placed in their files pursuant to Article 72 of the Legal Framework indicating that they would have been charged with misconduct had they remained with the organization. For one staff member who resigned during the investigation, a letter was placed in his file stating that he would have been exonerated had he remained with the organization.

65. At the end of 2013, nine of the investigation reports submitted in 2013 were still under review by the Legal Support Office and two reports had been returned to OAI for clarification.

66. Of the 14 investigation reports that were submitted to country offices, nine holders of service contracts had their contracts terminated. Four service contracts were not renewed. One service contract holder died a few days before the country office received the investigation report. Of the three reports that were submitted to other agencies during 2013, two service contract holders had their service contract terminated and the contracts for the second service contract holder was not renewed.

Vendor sanctions

67. Of the eight investigation reports that were submitted to the Vendor Review Committee (the internal technical body tasked with making recommendations to the Chief Procurement Officer about requests for vendor sanctions), two reports resulted in the debarment of five vendors for four years. Three reports resulted in the imposition of interim sanctions against 22 vendors. One report

resulted in the denial of sanctions against one vendor but the Committee did issue a letter of caution to the vendor. At the end of 2013, two reports were still under review by the Committee.

X. Overall conclusion and framework for the future

68. The OAI audits of headquarters, country offices, other functions, Global Fund grants and DIM projects, as well as the third party audits of NGO/NIM projects, supplemented the other oversight mechanisms from which the Administrator and the Executive Board derive assurance on the efficient use of UNDP resources and on the effectiveness and adequacy of governance, risk-management and internal control systems and processes. The overall audit results and the general responsiveness of audited offices, as evidenced by the actions taken to implement the audit recommendations, and the effective resolution of investigation cases continued to indicate the effectiveness of the OAI internal audit and investigation functions. OAI also continues to benefit from the unwavering support of UNDP senior management and the independent Audit Advisory Committee.

69. The recently approved OAI four-year strategy for 2014-2017 will enable OAI to contribute to the achievement of the UNDP strategic goals through its systematic and disciplined approach to audit and thus improve the effectiveness of risk-management, control and governance processes in UNDP.